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SENSITIVE

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STATE FOR NEA/ELA
STATE PASS USTR FRANCESCKI
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TREASURY FOR PARODI/BLEIWEISS/CORREA
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SUBJECT: LEBANON: FINMIN SAYS IMF PLEASED WITH LEBANON'S GROWTH IN 2008 (ECONOMIC WEEK IN REVIEW, FEBRUARY 9 - 15, 2009)

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CHATAH SAYS IMF PLEASED
WITH LEBANON'S GROWTH IN 2008

¶1. (SBU) In a February 11 meeting with the USAID Administrator's Special Assistant for the Middle East George Laudato and the Ambassador, Finance Minister Mohammad Chatah said a recent IMF delegation, led by IMF Deputy Managing Director Murilo Portugal, was pleased with Lebanon's growth in 2008, estimating the growth rate at 8%. Chatah said he was using a conservative growth estimate of 3% for 2009, but still expected the economy to weather the international financial crisis reasonably well, after the Lebanese banking sector saw a 14.5% increase in assets in 2008. Though he was still concerned about Lebanon's fiscal position, given the ongoing budget battles in the cabinet, he noted that the recent cabinet decision to reform the gasoline excise tax would bring in more than \$500 million annually to the state coffers.

INFLATION REACHES BETWEEN
EIGHT AND TEN PERCENT IN 2008

¶2. (U) On February 2, Governor of the Central Bank of Lebanon (CBL) Riad Salameh publicly noted that inflation reached an average of eight to ten percent in 2008. Meanwhile, private firm Consultation and Research Institute (CRI) said the figure was 10.74 percent. According to CRI, an increase in food prices had the most significant effect on the overall inflation.

¶3. (U) However, inflation growth slowed in December 2008 compared to December 2007 as a result of the weakening of the euro and lower international oil prices. According to the Central Administration of Statistics' Consumer Price Index (CPI), inflation rose by 5.5

percent in the month of December 2008 compared to December 2007.

FINANCE MINISTRY'S UNDP REFORM
PROJECT SHORT ON FUNDING

14. (SBU) Chris de Clercq, UN Development Program (UNDP) Project Manager on Capacity Development for Fiscal Reforms and Management at the Ministry of Finance (MOF), told us on February 12 that his office is one-year short on funding for completion of the 2008-2010 phase of the project. The MOF has access to \$2.2 million covering costs till the end of 2009, and needs an additional \$2.3-2.4 million for 2010. This 3-year project is implemented from EU contributions to UNDP for reforms at the MOF. FinMin Minister Mohammad Chatah is approaching donor countries to bridge this one-year funding gap, and raised this issue during his February 11 meeting with Laudato and the Ambassador.

TRADE DEFICIT UP 40.7
PERCENT IN 2008

15. (U) According to the Higher Customs Council, Lebanon's trade deficit rose by 40.7 percent in 2008 compared to 2007, reaching \$12.6 billion, largely because of high oil prices. Import activity rose by 36.6 percent in 2008, exceeding the 23.5 percent rise in exports. The UAE was Lebanon's main destination for exports, with ten percent of total exports, followed by Switzerland (9.5 percent), Iraq (7.7 percent), Syria (6.4 percent), and Turkey (six percent). Lebanon's primary exports were jewelry, followed by electrical equipments and products, base metals, chemical products, and prepared foodstuff. Meanwhile, the U.S. retained the largest share

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of Lebanese imports, with 11.5 percent of total imports, followed by China (8.6 percent), France (8.3 percent), Italy (6.9 percent), and Germany (6.4 percent). Lebanon's primary imports included mineral products (including fuel oil), followed by cars, electrical equipment and products, base metals, and chemicals.

28 PERCENT OF THE POPULATION IS POOR,
EIGHT PERCENT LIVE IN EXTREME POVERTY IN 2004

16. (U) According to two studies on poverty and living conditions by the UN Development Program (UNDP) and the Ministry of Social Affairs (MOSA), 28 percent of the Lebanese population was categorized as poor in 2004, while eight percent or around 300,000 people lived in extreme poverty (living on less than \$2.40 a day). The bulk of poverty was located in the north (Tripoli, Akkar and Minieh-Dennieh areas), south (Jezzine and Saida), and the Baalback-Hermel region in the Bekaa Valley. Ten to 12 percent of extreme poverty is located in south Lebanon and the Bekaa, while 17 percent is located in the north.

SOCIAL AFFAIRS MINISTRY PRESENTS
STUDY ON STREET CHILDREN

17. (U) On February 5, the Ministry of Social Affairs, in collaboration with the Arab Council for Childhood and Development and St. Joseph University, presented its most recent study on street children in Lebanon. The study is a qualitative analysis of the situation of street children through the observation of 28 sites throughout Lebanon. Most of the children who agreed to participate in the study saw themselves as "fugitives" from family breakdowns and put the blame entirely on parents for their situation. The study recommended the development of an inter-ministerial social policy supported by protection and rehabilitation strategies, as well as the empowerment of NGOs, municipalities, and organizations to take preventive actions at a local level.

LEBANON RANKS 101 WORLDWIDE
IN E-GOVERNMENT READINESS

¶8. (U) According to Brown University's survey on electronic government readiness, Lebanon ranked 101 out of 197 countries worldwide and ten out of 18 MENA countries. In 2007, Lebanon had ranked eight out of 18 MENA countries. The survey noted that in Lebanon, 37 percent of government institutions offered online services, with relevant publications made available. Of all websites, only 16 percent were regularly updated and personalized. The study evaluates national government websites on the basis of information availability, service delivery, and public access.

BEIRUT TOPS LIST OF 44
PLACES TO VISIT IN 2009

¶9. (U) The New York Times' list of "44 places to go in 2009" included Beirut. The report chose Beirut as one of 12 destinations for luxury travel, one of eight destinations to visit for food, and one of nine trendiest destinations for partying. According to the latest figures from the Ministry of Tourism, the number of tourists visiting Lebanon in 2008 reached 1.33 million, or a 31 percent increase compared to 2007.

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